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MERCHANDISING FEATURE:
Dealers sharpen tool prices—pp. 21-36

National
Home Center News®

Vol. 10, No. 9 The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. April 23, 1984

Gypsum price up 8%; supply shortages hurt builders and retailers

NATIONAL REPORT—Homebuilders and remodelers are about to encounter their fifth price jolt in roughly a year from the nation's gypsum wallboard manufacturers, following a new round of price increases earlier this month averaging approximately 8%.

The increases over the past year have raised the average price of gypsum in the United States from $85 per 1,000 sq. ft. a year ago, to $185 as of late last month.

Adjusting to another round of price hikes is only half the problem for retailers and their customers, however. Limited supplies are lengthening the time it takes to build a new home by as much as a month in some parts of the country, according to the National Assn. of Home Builders, and causing retailers to scramble for sources of supplies.

"We're buying everything in sight," said Pat Farrah, executive vice president of The Home Depot. "In our four Atlanta stores, we have a combined [inventory as of late March of] 40,000 sheets. We got caught short in November

(Continued on page 53)

Lanoga adds Peavey stores to UBC; Nagle named prez

By John Caulfield
NHCN senior editor

SEATTLE—Lanoga Corp., which operates the United Building Centers, Spenards and Lumbermen's chains, has agreed to purchase all of the remaining building supply units operated by Peavey Co., the Minneapolis subsidiary of ConAgra Inc.

The agreement, involving an undisclosed sum of cash, was signed at noon on March 28, and brings to Lanoga the assets and inventory of 23 retail stores, two trusses, window and door plants and two distribution centers in Detroit Lakes, Minn., and Huron, S.D. The stores reportedly did $49.8 million in sales last year, of which 67% were DIY transactions.

The units, formerly called Peavey Building Supplies, Fish Building Supplies and Thunderbird, will be incorporated into Lanoga's 100-store United Building Centers chain, headquartered in Winona, Minn., which last year had estimated sales of $115 million.

Just prior to the announcement, *NHCN* also learned that chain executive vice president Daryl Nagle was named president of UBC, replacing Robert Johnson, effective April 1. Johnson, who has been associated with UBC since 1946, and has served as president of the chain since 1977, announced his retirement last month *(story, page 6)*. Whether UBC will change the name of any new stores was not immediately known, although officials for

United Building Centers will incorporate the 23 Peavey retail stores into a combined 123-unit operation with new UBC president Daryl Nagle at the helm. NHCN photos

Lanoga indicated the five Fish stores in Wisconsin will retain their names, and their operation will be supervised by John Lochner, out of Middleton, Wis. Lochner had been Peavey's regional manager and he is the one Peavey official known to be making the move to UBC.

Spokesmen for both companies said that, because Peavey and UBC have similar stores in overlapping markets, the deal is subject to Federal Trade Commission and Justice Department review under the Hart-Scott-Rodino Act governing antitrust. Neither party thought this would be an obstacle to the acquisition. According to Lanoga president, Ted Tanase, the acquisition gives UBC instant access to approximately 70% of the markets in which the chain was looking to either expand or acquire locations.

Buying Peavey represents another step in the aggressive expansion path Lanoga began traveling only three years after it was incorporated as a holding company in 1978.

In January 1981, it purchased five Superior Building Supply stores to add to its Spenard Building Supply chain based in Anchorage, Alaska. About a year later, the company bought the five-unit Lumbermen's of Shelton, Wash., its first acquisition that was decidedly consumer-oriented in its merchandising. And in February 1983 Lanoga added to the Lumbermen's chain by acquiring eight units from Williamette

(Continued on page 4)

Evans wins debt deferral; lenders O.K. retail spinoff

MIAMI—Evans Products has won a deferral of its 1984 debt obligation from its lenders who have agreed to reschedule the company's $60 million loan payment originally due March 31.

The lenders have also made an about-face and have officially consented to sanction Evans' plan to spin off its retail group into a separate company. Up until a few months ago, when they freed up the retail group's assets from being used as collateral for Evans' secured debt (*NHCN*, March 12), the banks were reportedly throwing up serious roadblocks to such a spinoff.

With their attitude toward the development of a separate company apparently changed, the lenders have also agreed to let Evans use some of the proceeds from the recent sale of three of its properties to lend to the retail group for seasonal working capital.

These concessions came simultaneously to the release of Evans' fourth quarter and annual financial results, which showed continued strength from its retail sector. The 345-unit retail group, based in Braintree, Mass., saw its sales for the fourth quarter, ending Dec. 31, rise 24.4% to $237,997,000, with operating income increasing 12.1% to $17,960,000. For the full year, the group's revenues were 17.4% ahead of 1982 figures to $927,758,000 (of which 85% were DIY sales), with operating income of $69,609,000 standing

(Continued on page 54)

NEWSBREAKS

DEPOT TO BATON ROUGE. The Home Depot will open a store in Baton Rouge, La., later this year, the first time the warehouse chain has planned to enter a market with a single unit.

HELLO GOODBUYS. Mr. Goodbuys, Philadelphia, will nearly double its store total after entering into agreements for three more stores in its existing markets this year. The four-store chain already operates two units in Philadelphia, one in Baltimore and one in Union, N.J.

INSIDE:

BOWATER PLANS to spin off its North American operations into a new public company that will include its Texas-based home centers ..... Page 2
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Gambles stakes future success on supplying more DIY chains

By Brad Altman
NHCN West Coast editor

MINNEAPOLIS—Gambles Stores, one of Wickes Cos.' least-publicized divisions, is being quietly transformed into what company officials based here say could become a $200 million revenue generator by 1988.

That optimistic scenario is based on the presumption that Gambles continues to be successful in the expansion of its distribution services substantially beyond its current reach of some 550 Gambles units which are independently owned and operated and rely on Gambles to provide them with 85% of their stock keeping units.

Gambles' strategy, in essence, is to become a major distribution force aimed particularly toward medium-sized chains.

Nearly 60 years old, Gambles expects a 50% increase in sales this year to $90 million from last year's $60 million sales, "which

'We're looking to become the most efficient, lowest-cost distributor of products in America.'

—Wayne Waldera,
Gambles president

is a combination of new business with chain accounts and growth with the independent" stores, said Paul Hylbert, a Wickes senior vp with operations responsibilities for Gambles, which was acquired in the Gamble-Skogmo merger.

As recently as 1976, Gambles oversaw more than 1,100 independent dealer-owned and company-owned Gambles stores located primarily in smaller towns in the Midwest and Rocky Mountain States. By last year, only 712 dealer-owned stores remained, and Wickes sold or shuttered its remaining company-owned 20 units as part of a drastic refocus of the business, including the closing

(Continued on page 53)

NHCNews Briefs

Industry Update

Latest Payless buyout complete

KANSAS CITY, Mo.—Payless Cashways completed its proposed acquisition of Somerville Lumber late last month.

The merger agreement had been jointly announced on March 9, and, in accord with the agreement, 2,348,000 shares of Payless Cashways common stock were exchanged for all of the capital stock of Somerville (*NHCN*, March 26). The closing price of Payless Cashways common stock on the New York Stock Exchange on March 29 was $17.875. The total value of the transition was approximately $42.0 million.

Payless Cashways now has 139 retail facilities in 17 states.

Pay 'N Pak names vice chairman

KENT, Wash.—Pay 'N Pak has named Marshall J. Weigel to the newly created post of vice chairman of the 101-unit company headquartered here.

Chairman David J. Heerensperger told *NHCN* that Weigel, 63, has been a Pay 'N Pak director for 14 years. Weigel is president of a privately held real estate investment firm called Merchandising Factors Inc., San Francisco, Calif.

Heerensperger said that Weigel "did scout out and do the groundwork" on the company's anticipated expansion into the Greater San Francisco Bay Area. But Weigel's vice chairmanship is intended "mostly as a backup in case something happened to me, and as a recognition of his long service as a director," Heerensperger said.

Weigel, who lives in Hillsborough, Calif., has a wide-ranging business background, including several years as head of Bank of America's merger-acquisition department. He has owned an advertising agency and spent "many years" in the investment banking business where he specialized in corporate finance, Heerensperger said.

Promos ignite Scotty's sales

WINTER HAVEN, Fla.—Scotty's credits the success of an Air Florida promotion (*NHCN*, March 26) for contributing to record sales of $49.6 million for the five weeks ended March 31. Sales were up 26% over the same period a year ago, chairman and cfo James Sweet said.

The Air Florida promotion provided a "2-for-1" air fare with each $100 purchased from Scotty's during March. Sweet also attributed March sales gains to a trainload insulation, roofing and ceiling tile sidewalk sales promotion March 3.

For the 39 weeks ended March 31, sales were $310.5 million, a 23% gain over the year-earlier period. Scotty's opened a new hardware store in Zephyrhills, Fla., March 8, and a full-size Scotty's store in Delray Beach, April 2, raising its store count to 108 units. Scotty's also operates two Surplus Units and two hardware stores.

Belknap and Concord to merge

LOUISVILLE, Ky.—Hardware wholesaler Belknap Inc., will merge with Concord Corp. after more than 90% of the 1.4 million Belknap common shares were tendered in connection with Concord's $24-per-share offering, according to Belknap spokesmen.

Concord and its sole shareholder, David A. Jones, chairman of health care company Humana of Louisville, made the offer for Belknap following a series of attempts by others to gain control of the firm (*NHCN*, March 26). Belknap's board had tentatively approved a $20-per-share offer from a group headed by chairman Jerry L. Barton before opting for the higher bid.

Jones had already owned 25% of Belknap's stock at the time of the tender offer.

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Vol. 10, No. 9 April 23, 1984

Bowater planning spring spinoff of U.S. and Canadian operations

OLD GREENWICH, Conn.—Bowater Corp., the London-based paper producer whose debt last year stood at $378 million and which suffered a net loss of $80 million, plans to spin off its United States and Canadian operations into a new company that will seek a listing on the New York Stock Exchange.

The American operations here, which had sales of $703 million and pretax earnings of $87.1 million last year, includes the five-unit Bowater Home Centers chain, based in Plano, Tex. According to the chain's president, Ralph Dillon, the proposed spinoff would have no adverse effects on his company's future expansion plans.

Initial offering

The new North American company, to be known as Bowater Inc., will offer 25% of its stock this spring in the United States to raise between $133 million and $163 million. That would value the entire unit at between an estimated $530 million and $650 million.

Its remaining shares will be distributed to current holders of the British parent's stock. Bowater said it plans to raise the equivalent of $59 million through an offering to shareholders, the proceeds of which to be used to reduce its debt.

The spinoff, or "demerger" as it is called in England, will continue to be one of the largest suppliers of newsprint in the United States, with its two mills in Tennessee and South Carolina having combined capacities of 809,000 metric tons last year.

New appointment

Bowater Inc. will be headed up by Anthony P. Gammie, who will serve as its president and chief executive officer. He has been with the parent company for 28 years, and had been managing director of Bowater United Kingdom Ltd. before transferring to the United States in 1979. He had been named Bowater North America's president on Jan. 1, 1983.

The spinoff, in its current configuration, is expected to rank No. 350 on the Fortune 500 list of companies.

The parent company decided to break off its overseas interests into a separate company because its transatlantic structure made the subsidiary subject to a much higher tax rate than its American competitors. According to R. D. McDonough, Bowater's chief financial officer, the move was made to satisfy the company's investors with a higher dividend than was usual in the United States.

The restructured Bowater Corp.—to be renamed Bowater Industries PLC—would be made up of its tissue mills in Britain and its packaging and paper operations in Britain and overseas, which in 1983 generated sales of $1.49 billion and pretax earnings of $74.5 million.

Overall the corporation posted sales of $2.35 billion last year, with its post-tax earnings rising 32% to $58 million. However, Bowater took a $138 million extraordinary charge for anticipated losses suffered from the proposed sale of its Corner Brook mill in Newfoundland, and when that charge is taken into account, Bowater shows an $80 million net loss, compared with earnings of $37.1 million in 1982.

Home resales even in February; NAR report lowers '85 outlook

NATIONAL REPORT—Home resales remained relatively even in February and predictions for the rest of 1984 are optimistic, but 1985 is one of lowered expectations, according to a recent report by Dr. Jack Carlson, chief economist and executive officer of the National Association of Realtors.

In his report, "Outlook for the Economy and Real Estate," Carlson sees existing home sales reaching close to three million units by the end of 1984 before dropping to 2.7 million in 1985 and 1986.

Similarly, new single-family home sales will remain strong in 1984 with 660,000 units, but fall to 580,000 in 1985 and 590,000 in 1986.

In February, existing home sales leveled off to a seasonally adjusted 2.87 million units, from January's revised figure of 2.89 million, according to the NAR. Nationally, the median sales price for a single-family home was $71,900 in February—the same as the previous month.

Downturn noted

While Carlson predicts that total housing starts, at a seasonally adjusted rate, will exceed 1.8 million during the first quarter of this year, he expects starts to fall to 1.7 million by the end of the year.

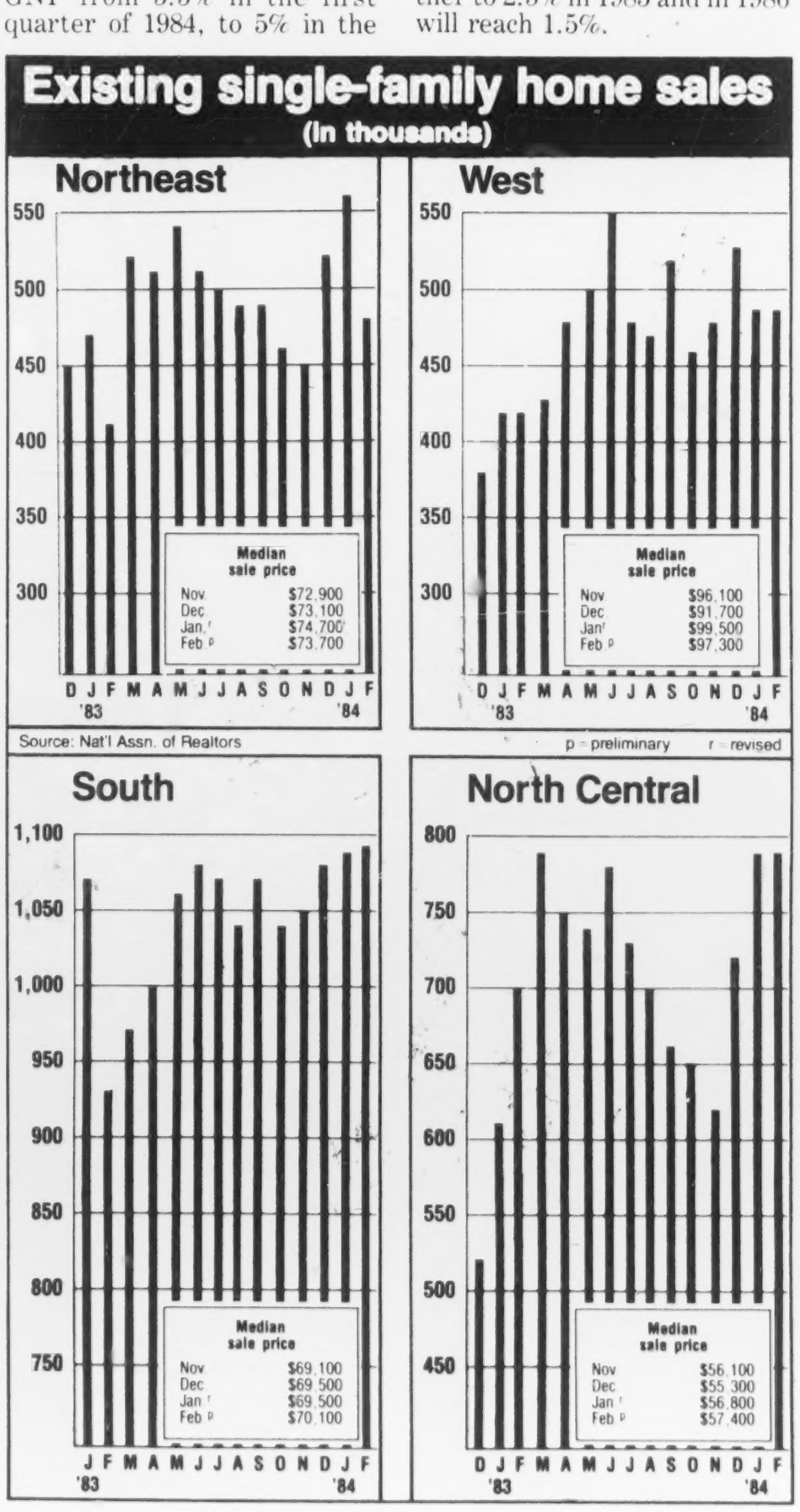
Strong home resales and housing starts will be accompanied by a further drop in interest rates to 13.5% for a fixed rate mortage, and 12% for adjustable rate mortgages (ARMs) by the third quarter of 1984, he predicted.

Further considerations

However, interest rates are expected to rise to 14.5% for fixed rate and 13.5% for ARMs by the second quarter of 1985, which would be their highest levels since 1982, said Carlson.

The report sees a rise in average household income of nearly 3.5% over this year, after adjusting for inflation, but this will slow to a 2.5% increase in 1985 and be less than 1% by 1986.

It sees a steady drop in real GNP from 5.5% in the first quarter of 1984, to 5% in the second, 4% in the third and down to 3% by the end of the year. Real GNP will fall still further to 2.5% in 1985 and in 1986 will reach 1.5%.



Existing home sales in February leveled off to 2.87 million units, seasonally adjusted, from January's revised figures of 2.89 million units, according to the National Association of Realtors. Nationally, the median sales price for a single-family home stabilized at $71,900—the same as in January—dropping in the Northeast and West regions, but rising in the South and North Central regions.

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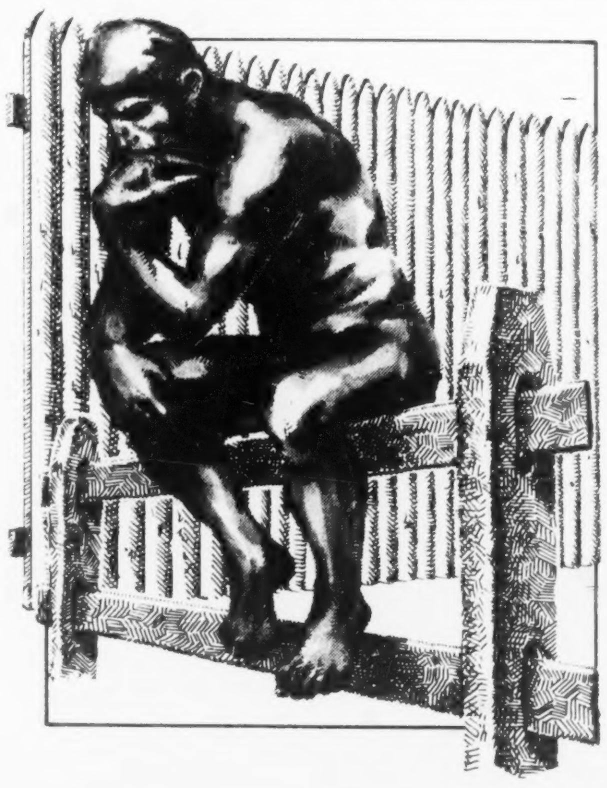

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FINANCIAL NEWS

SALES & EARNINGS

Company	Period Ended	Current Sales*	Year-Ago Sales*	% Change	Current Earnings*	Year-Ago Earnings*	% Change
Erb Lumber	12/31-4th qtr. 12/31-Year	$ 33,583 137,261	$ 24,784 97,182	36 41	–$ 133 2,052	$ 595 807	— 154
Handyman	12/31-Year	239,800	200,300	20	8,900**	2,100**	324
Hines Lumber	12/31-4th qtr. 12/31-Year	61,979 249,652	48,372 180,533	28 38	596 8,828	– 1,274 –31,611	— —
Lowe's	3/2-4 wks.	98,400	69,600	41	—	—	—
Michigan General	12/31-4th qtr. 12/31-Year	113,009 192,032	25,053 87,211	351 120	– 6,289 – 328	– 3,378 – 8,358	— —
National Lumber	12/31-4th qtr. 12/31-Year	29,694 114,308	25,317 97,943	17 17	153 2,208	388 1,654	– 61 33
Pay 'N Pak	2/29-4th qtr. 2/29-Year	53,504 250,040	38,705 187,338	38 33	2,239 10,025	1,377 6,368	63 57
Standard Brands Paint	1/29-4th qtr. 1/29-Year	66,684 296,814	59,454 260,489	12 14	3,318 18,575	1,202 13,352	173 38

*$ in thousands
**Operating profit; results for the San Diego-based company includes Homer's in Texas

Source: Company reports

STOCK PRICES

		As of 4/2	52-week High	52-week Low	P/E Ratio
Boise Cascade (NYSE)		40½	47⅜	34½	21
Edison Bros. Stores (NYSE) [Handyman, Home: s]		38½	46¾	35¾	9
Evans Products (NYSE) [Alamo Ent., Grossman's, Moore's, Hubbard & Johnson, Lindsley]		6½	19½	6⅛	—
Forest City (AMEX)	A	15½	20⅛	10⅜	—
	B	15½	20½	13	—
W. R. Grace (NYSE) [Angels, Cashway, Channel, Handy City, Handy Dan, Orchard]		40¾	50⅜	38⅜	12
Lowe's (NYSE)		19¾	32¾	17⅝	14
Michigan General (AMEX) [Diamond Lumber]		6⅞	14	5¼	19
Pay 'N Pak (NYSE)		14⅛	24	12¾	13
Payless Cashways (NYSE) [Furrow]		17½	34½	16½	14
Scotty's (NYSE)		13⅞	20	13⅝	12
Southwest Forest Industries (NYSE) [Dunlap's, Knox Lumber]		22	22½	12⅛	—
Standard Brands Paint (NYSE)		21	28¾	18	13

Nasdaq—over-the-counter stocks

		As of 4/2	52-week High	52-week Low	P/E Ratio
Color Tile		17	25⅛	13⅝	—
Hechinger	A	15¼	24¼	15	—
	B	15¾	26½	14½	—
The Home Depot		17½	31¾	14	—
Pay 'n Save		21⅛	29¼	17½	—

Over-the-counter stocks

	As of 4/2 Bid	As of 4/2 Asked	52-week High (Bid)	52-week Low (Bid)
Erb Lumber	19	22	25¼	16
Hines Lumber	34	35¼	41½	21
Home Centers of America [units]	18½	—	51½	13¼
Homecrafters Warehouse	15	15½	17½	12½
National Lumber	6¼	6½	13¼	6¼
Scotts Seaboard [Scott's]	3¼	3¾	1	5
Wolohan Lumber	5¼	5⅜	10⅛	4⅞

Pay 'N Pak net earnings climb 57%, hit $10M

KENT, Wash.—Sales at Pay 'N Pak stores opened three years or more increased 25.7% during fiscal 1984 ended Feb. 29, reflecting in part the chain's year-long remerchandising program completed in its fourth quarter, company officials indicated.

The store-for-store sales increase helped Pay 'N Pak complete its fiscal year with a net earnings gain of 57% to just above $10 million on a sales rise of 33% to just above $250 million compared with fiscal 1983.

In the fourth quarter, the 101-unit company saw net earnings increase 63% to $2.2 million on a sales gain of 38% to $53.5 million from the prior year's fourth quarter, according to officials.

In another move, the chain began converting some units to warehouse-style retailing and plans to have 20 such units in operation, mostly in the San Francisco Bay Area, by the end of fiscal 1985 (*NHCN*, March 26).

DIY sales spur 40% retail gain at Hines Lumber

CHICAGO—Increased DIY volume helped to spark a nearly 40% gain in Edward Hines Lumber's retail activity to $83.3 million last year, company officials announced.

The increase contributed to an overall 38% rise in Hines' sales to $249.7 million from 1982 as the company's wholesale and retail segments both benefited from improved housing activity.

Hines Lumber was profitable during the year as net income from continuing operations reached $1.8 million after a $3.9 million loss in 1982.

Total net income reached $8.8 million including a gain of $5.5 million from a downward adjustment of reserves provided in a 1982 special charge involving the disposition of manufacturing operations.

In 1982, Hines' net loss totaled $31.6 million including operating losses from discontinued operations of $7.9 million and a special charge of $19.9 million for estimated losses on the disposal of discontinued operations.

In the fourth quarter of 1983, Hines Lumber recorded net income of $596,000, including net income from continuing operations of $325,000, after a net loss of $1.3 million in the same quarter a year ago. The company's sales in the period rose 28% to almost $62 million compared to a year ago.

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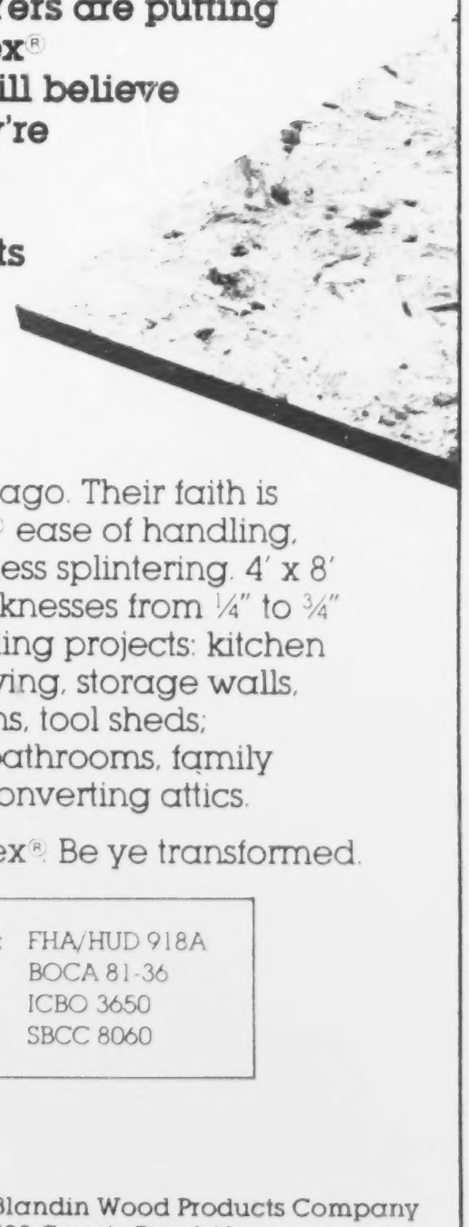

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LUMBER REPORT

WWPA launches 5-year program to increase lumber consumption

PORTLAND, Ore.—A five-year promotional effort to increase American lumber consumption is being launched by the Western Wood Products Assn., which has budgeted $2.3 million for the program, in the first year alone.

The goal of the campaign is the addition of 2.5 billion board feet of lumber consumption by the end of the fifth year. Many areas of lumber use will be targeted, starting this spring with wood floor systems and foundations; commercial construction and residential patios and decks.

In the coming years of the wood promotion campaign, the WWPA also plans to stimulate residential lumber sales with a program called the "great American storage room," which will emphasize both the use of storage space in existing areas of the home as well space that can be gained by structural additions.

The WWPA hopes to stimulate an additional 281 million board feet in annual repair and remodeling demand by 1988.

The WWPA's campaign follows a strong lumber consumption year when the nation bounced back from its lowest lumber use since World War II.

United States' softwood lumber consumption in 1983 totaled 35.7 billion board feet, an increase of 25.2% from 1982's 28.5 billion board feet, according to figures recently released by the WWPA. Consumption is expected to gain another 5.4% this year to 37.6 billion board feet.

Lumber consumption for repair and remodeling rose 12.1% to 8.2 billion last year from 7.3 billion in 1982, the WWPA noted in an "outlook" that added, "The over-the-shoulder trade showed particular strength.

"Strong demand for lumber from repair and remodeling markets will continue during 1984. Even though the surge in demand has leveled, lumber used in this category should increase 1.1% to 8.3 billion board feet."

On a regional basis, lumber shipments from the Northwest were 15.8 billion board feet last year, up 26.2% from 1982. Shipments are expected to increase 6.6% to 16.9 billion board feet this year.

Shipments from the South totaled 6.7 billion board feet last year, up 11.8% from 1982. Shipments for this year are forecast at 7.1 billion board feet.

Inventories in the South totaled 1.4 billion board feet at the end of 1983, down slightly from the year before. The Northwest, in contrast, ended 1983 with inventories at 2.3 billion board feet, up 17.6% from a year earlier. Western inventories are expected to be about 2.2 billion board feet at the end of this year.

Total inventories for all regions were 4.3 billion board feet at the end of 1983 and are expected to be about 4.2 billion board feet at this year's end, according to the WWPA.

Canada's portion of American lumber consumption grew by a significant 31.3% last year to 11.9 billion board feet from 9.1 billion board feet in 1982. United States consumption of Canadian lumber as a percentage of total American lumber consumption has been growing steadily during the past few years.

In 1983, imported Canadian lumber represented 33.5% of total United States softwood consumption, up from 31.9% in 1982, 30.3% in 1981 and 29.3% in 1980. Canadian imports are expected to reach 12.4 billion board feet in 1984, a 3.5% gain.

Among the promotional efforts the WWPA is preparing to help dealers are double-truck four color ads promoting wood; literature on outdoor living and decks and a seminar program run by the trade association's recently expanded field services staff.

FUTURES

Two weeks ended March 29, 1984

	High	Low	Close	Previous Week	Open* Interest	Contract High	Contract Low
LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.							
May '84	193.30	186.00	186.70	192.20	4,130	245.00	182.00
July	205.60	198.40	199.70	203.60	2,470	252.50	190.30
Sept.	207.80	202.60	204.90	205.80	1,106	236.00	193.30
Nov.	205.80	201.80	202.60	203.90	1,005	228.80	196.00
Jan. '85	210.20	206.20	207.00	209.30	198	221.30	202.30
March	214.80	210.50	211.50	212.70	83	220.00	209.30
May	219.00	214.50	215.50	217.00	113	225.00	212.00

Total Contract Vol. (Through 3/29): 23,363 — Previous Two Weeks: 18,232
Total Open Interest (As of 3/29): 9,103 — Previous Week: 8,592
Cash Price: $176.40 — Previous Week: $188.16 — Year Ago: $175.42

PLYWOOD (CBT)—76,032 sq. ft. ½-in. ext. 4/5-ply; $ per 1,000 sq. ft.							
May '84	198.00	195.30	197.50	195.50	198	208.50	187.50
July	202.20	200.00	202.20	200.00	59	210.00	190.50
Sept.	206.00	204.50	206.00	205.00	12	212.50	199.00

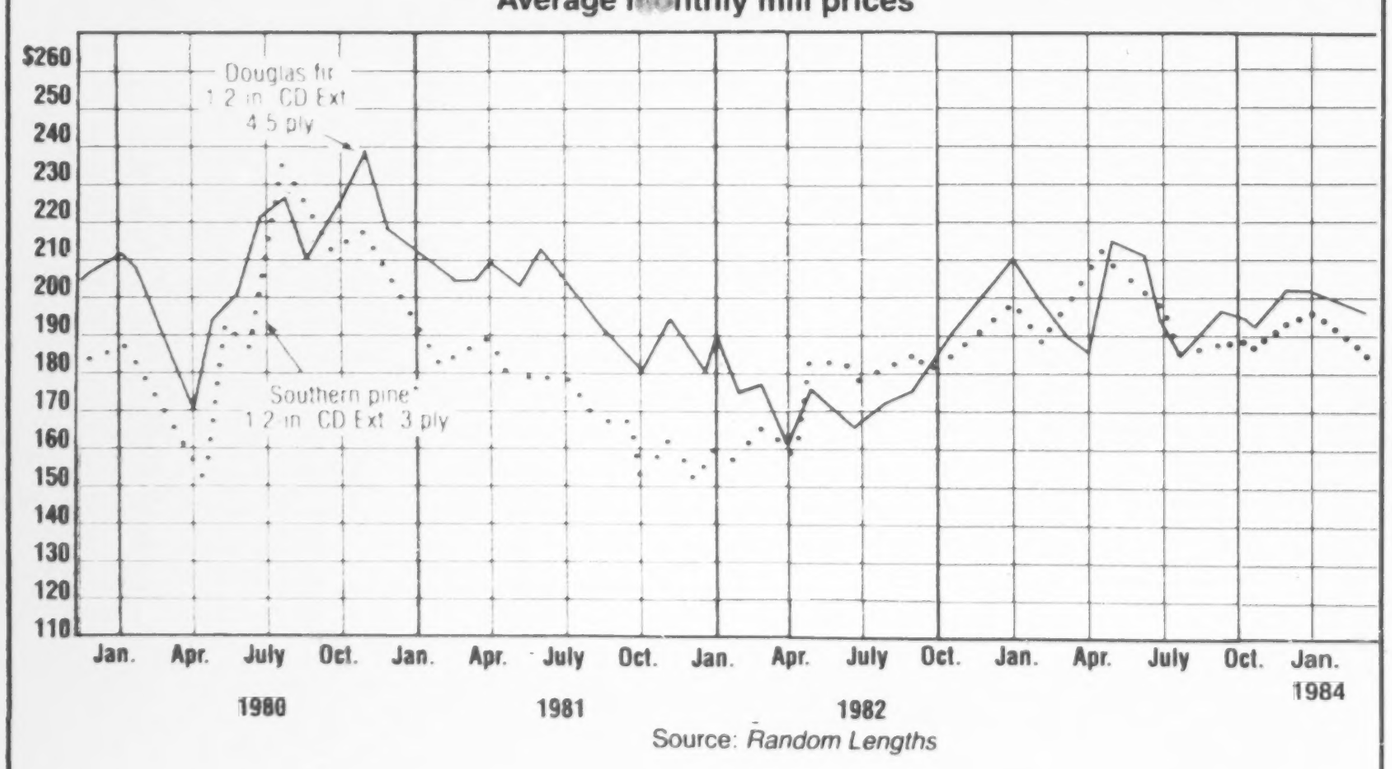
Total Contract Vol. (Through 3/29): 124 — Previous Two Weeks: 139
Total Open Interest (As of 3/29): 269 — Previous Week: 276
Cash Price: $194.04 — Previous WeeK: $196.98 — Year Ago: $181.30

COMMODITY RESEARCH BUREAU INDEX:	This Week	Previous Week	Year Ago
	283.0	280.6	241.2

CME—Chicago Mercantile Exchange — CBT—Chicago Board of Trade
*Figures for Thursday, March 29.
Open interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

Commodity close-up: Western & Southern Plywood

Average monthly mill prices



Source: *Random Lengths*

Bad weather in several regions, along with concerns of interest rates edging upward weakened buying activity somewhat last month for most plywood items, causing prices to slip. The price for ½-in. Western CD ext. ⅘ had fallen slightly from $200 per 1,000 sq. ft. at the end of February, to $198 at the end of last month; ½-in. CD ext. 3-ply from the South meanwhile, fell from $188 to $182.